

**BIDDING AND SALES PROCEDURES**  
**ISC Building Materials, Inc. 10-35753**

The sale of all or substantially all of the assets of ISC Building Materials, Inc., is contemplated to occur imminently under authority granted by the Bankruptcy Court in the matter of ISC Building Materials, Inc., 10-35732 SDTX, either by way of Sale Order under 11 USC 363, or according to the terms of a confirmed Plan of Reorganization. The following Bidding and Sales Procedures will govern the process of sale under either alternative legal methodology.

Overview of Process.

The process leading up to these procedures is as follows:

- GulfStar Group, II, Ltd. (“GulfStar”) was engaged by ISC Building Materials, Inc., to market the assets of the company on a fee basis.
- GulfStar prepared and circulated an anonymous Executive Summary describing the business and executed Non-Disclosure Agreements with interested parties.
- GulfStar distributed a Confidential Memorandum describing the company, its assets and operations to interested parties.
- GulfStar solicited Indications of Interest from buyers desiring to submit bids for the assets.
- GulfStar established a “Data Room” and arranged for management meetings and site visits as requested to facilitate investigation and preliminary due diligence by interested parties.
- On the earlier of the date that these procedures are approved by the court by Motion duly filed and served for that purpose (the “Bidding Procedures Order”) or the date of the Confirmation Order of a Plan of Reorganization, Debtor, ISC Building Materials, Inc., will select a Stalking Horse Bidder(s) and executed Asset Purchase Agreement(s) with the Bidder(s).
- Following Debtors selection(s) of the Stalking Horse bid(s), within 1 business day thereafter, GulfStar will publish the terms of the “Stalking Horse Bid(s)” on the Data Room website.
- GulfStar will then solicit competing bids. Each bid which becomes the highest bid on acceptable terms to the Debtor will be posted by GulfStar to the internet Data Room website. Gulfstar will inform the Debtor, through its counsel, Comerica Bank, through its counsel, and the Official Committee of Unsecured Creditors, through its counsel, of each bid received after Plan Confirmation. Debtor will consult each said representative prior to instructing GulfStar as to whether a bid is acceptable to Debtor. Debtor shall not be bound by the decision or recommendation of either the Committee or Comerica Bank. Notwithstanding

the foregoing, Comerica reserves any and all applicable rights under 11 U.S.C. §363. Debtor will not refuse to accept any bid which is in substantially the same form as the form of the Stalking Horse Bids. Debtor will not refuse to accept a bid based on the identity of the bidder.

- Bidding will close at 5:00 PM CST on the tenth Calendar day following the date on the Plan Confirmation Order or Bidding Procedures Order, whichever is earlier.
- GulfStar will inform the successful bidder(s) that it has submitted the winning bid(s). GulfStar will also inform the next runner up(s) that the bid submitted is not the winning bid but is the next runner up and that the bid deposit will remain in escrow and that the bidder must stand ready, willing and able to close the transaction according to the terms of the runner up bid(s) if the winning bidder(s) default.
- Contemporaneously, GulfStar will post of Notice of Winning Bid to the Data Room.

**Bidding as above shall proceed according to the following:**

- 1) All bidders must qualify as a bidder in order to submit a bid that Debtor can accept. An entity that is seeking to become a qualified bidder will deliver a Request to be Deemed a Qualified Bidder together with financial information by 5:00 PM on the second day before submitting any bid to GulfStar Group, the debtor, counsel for Comerica Bank, and the Counsel for the Unsecured Creditors Committee reasonably demonstrating such bidder's ability to consummate a sale on the terms proposed. Such financial information, which may be provided confidentially, if appropriate, may include current audited or verified financial statements of, or verified financial commitments obtained by, the potential bidder (or, if the potential bidder is an entity formed for the purpose of acquiring the property to be sold, the party that will bear liability for a breach). If they have not already done so pre-confirmation, to be qualified, a prospective bidder also shall be required contemporaneously to make a non-binding expression of interest and execute a reasonable form of non-disclosure agreement before being provided due diligence access to non-public information. A bidder that makes a good faith deposit in escrow with GulfStar equal to 100% of the value of its bid shall be deemed a qualified bidder for that offer, and any advance over that offer up to 150% of the face amount of its initial bid. Any Bidder that GulfStar finds to have not provided sufficient information to permit GulfStar in the good faith exercise of its sole and exclusive judgment to make a finding of such bidder's ability to consummate a sale on the terms proposed shall be notified by GulfStar of its decision that it is not a qualified bidder within 24 hours of submission of its Request for Qualified Bidder status. Any party aggrieved by such a decision may file a Motion with the Court seeking to be found qualified together with the same information provided to GulfStar with its original submission to GulfStar submitted to the court. The Motion shall request Expedited and Emergency consideration. Unless and until the court enters an order ordering that GulfStar must consider the

proposed bidder qualified prior to the close of bidding provided hereunder, bidding may proceed without bids from the aggrieved prospective bidder.

- 2) Each bid submitted must meet the following minimum criteria to be considered by the Debtor and become a qualified bid:
  - a) Bids shall be submitted on or before the date and time of the Close of Bidding to Seller by submission of a bid package to Bryan C. Frederickson, Managing Director, GulfStar Group, II, Ltd., 700 Louisiana Street, 38th Floor, Houston, TX 77002. Gulfstar shall thereafter provide copies of such Bids to counsel for Comerica and counsel for the Committee.
  - b) Bid packages shall include:
    - i) An Asset Purchase Agreement in form substantially similar to the Asset Purchase Agreement filed with the court representing the “Stalking Horse Bid” and shall clearly identify all conditions to the qualified bidder’s obligation to consummate the purchase.
    - ii) Every proposed agreement must contain language that:
      - (1) makes performance of the agreement by ISC Building Materials, Inc. contingent upon Debtor’s acceptance of the offer, and,
      - (2) acknowledges that the buyer is bound by the terms of the proposed Asset Purchase Agreement until bids have closed and thereafter until released there from by virtue of the acceptance of a different offer, except in the case of a backup bidder. (See Below).
    - iii) A document marked against the form of the stalking horse agreement(s), showing amendments and other modifications (including price and other terms) proposed by the qualified bidder. Bidders are informed hereby that a sale of less than all of the assets offered in each Lot and as described in the Exhibits attached hereto is not contemplated and that bids for less than all of those offered assets in Lot “A”, Lot “B” or Lot “C” may be rejected irrespective of other terms of the bid.
    - iv) A statement confirming under oath that the Bidder has not engaged in any collusion with respect to the bidding or the sale.
    - v) A good faith deposit, which will be non-refundable if the bidder is selected as the successful bidder and fails to consummate the purchase (other than as a result of a breach by the seller) and refundable if it is not selected as the successful bidder (other than as a result of its own breach). The amount of the deposit shall be no less than 10% of the total cash consideration to be paid by the Bidder for the Lot that the Bidder proposes to acquire. Deposits may be tendered by cash, certified check, or funds transfer to an escrow account established by GulfStar for these purposes and, in any event, must be made in manner acceptable to GulfStar. Bidders who have qualified by deposit of funds in the amount of 100% of the face value of their bid shall be deemed qualified for all bidding purposes up to 150% of their initial bid. Once qualified by deposit, no additional deposit may be required of any bidder making an overbid. All escrowed deposits will be held according the terms of

the attached "Escrow Agreement."

- 3) Bids contingent upon financing approval from any third party shall not be accepted.
- 4) Bids for individual lots that are made contingent upon the bidder being the successful bidder for any other lot shall not be accepted.
- 5) Credit bids will be accepted from holders of allowed secured claims only and only in the undisputed amount of the secured portion of any such claims. Comerica shall be authorized to exercise any credit bids in the full amount of its claims.
- 6) The Debtor may, in the reasonable exercise of its judgment, accept and close on the second highest qualified bid(s) received if the winning bidder fails to close the transaction within 10 days of the date that the winning bid is announced by Gulfstar.
- 7) In order to provide a reasonable incentive to procure stalking horse bids of substantial value, the stalking horse bidder shall have the following additional rights:
  - a) In the event that any Stalking Horse Bid is not the highest bid accepted by the Debtor then, and only then, the Stalking Horse Bidder shall be entitled to:
    - i) Return of any Good Faith Deposit tendered with the Asset Purchase Agreement.
    - ii) Payment by Seller, as an administrative expense, of the actual amount expended by the Stalking Horse Bidder in conducting activities of investigation and due diligence in connection with the presentation of its Bid and Asset Purchase Agreement. PROVIDED, however, that the amount of any such payment shall not exceed \$150,000 for Lot "A" \$50,000 for Lot "B" and \$200,000 for Lot "C".
  - b) If the Stalking Horse bid(s) is not successful, then the unsuccessful Stalking Horse bidder(s) shall have ten (10) days in which to submit its statement(s) for Break Up Fees to GulfStar (with copy to counsel for the Debtor, counsel for Comerica Bank, and counsel for the Committee) for payment out of Deposit Funds in Escrow only. GulfStar, the Debtor, Comerica Bank, and the Committee shall have 5 days to object to the Stalking Horse Break Up Fee. Any such objection must be made in writing and delivered to Gulfstar and the Stalking Horse (with copy to counsel for the Debtor, counsel for Comerica Bank, and counsel for the Committee). If no party timely objects to the Stalking Horse Break Up Fee, Gulfstar may pay the Stalking Horse Break Up Fee Request. If a party timely objects to the Stalking Horse Break Up Fee, the Stalking Horse Bidder(s) shall have ten days in which to file a Motion with the Bankruptcy Court for the purpose of determining allowance of the Break Up Fee. Notwithstanding any other provision of this Plan, Gulfstar shall retain 100% of the demanded Stalking Horse Break Up Fee in escrow until the allowance of the Fee has been

determined by the court. Gulfstar shall not be liable to any party for failure to pay any demanded Break up fee except upon a showing of actual malice or bad faith.

- 8) The initial required minimum overbid for Lot "A" is \$200,000. Lot "A" overbids after the initial must be in a minimum amount of \$100,000. The initial required minimum overbid for Lot "B" is \$150,000. Lot "B" overbids after the initial must be in a minimum amount of \$50,000. The initial required minimum overbid for Lot "C" is \$300,000. Lot "C" overbids after the initial must be in a minimum amount of \$100,000. Bids which fail to exceed the designated overbid minimum for any given lot shall be rejected as not conforming with these rules.
- 9) The Stalking Horse bidder(s) shall be deemed to have waived any and all break-up fees by rebidding on any lot following the submission by a competing bidder of any greater bid.
- 10) The Sales procedures identified herein are deemed to be fair, reasonable, and likely to bring about a sale of the subject assets for a price that represents a fair and reasonable value for the assets sold.
- 11) Absent irregularities in the conduct of the sale, or reasonable and material confusion during the bidding, Debtor will not consider bids made after the sale has been closed and may proceed directly to closing as provided in these Bid Procedures and any confirmed Plan. Any party asserting such an irregularity or confusion shall be deemed to have waived their objections, right to make any further bid, and objection to closing if a Motion seeking to re-open bidding is not filed by 5:00PM on the third calendar day following the close of bidding hereunder. Provided that no such Motion is filed, GulfStar shall direct the Escrow Agent to disburse all deposits of unsuccessful bidders except the deposits of the second highest qualified bids, on the fourth calendar day following the close of bidding.
- 12) In the event that sale proceeds under authority of 11 USC 363, Debtor shall become bound under the terms of the Asset Purchase Agreement(s) of the winning bidder as and when a Motion for a Sale Order is submitted by Debtor to the court with the Asset Purchase Agreements set forth at length attached thereto and then only if the Court enters a Sale Order in substantially the same form as Debtor's submission.
- 13) In the event that sale proceeds under the authority of Debtor's confirmed Plan of Reorganization, Debtor shall be bound under the terms of the Asset Purchase Agreement(s) of the winning bidders when the winning bidder is declared by Gulfstar.
- 14) Until and Unless Debtor becomes bound under these procedures to the terms of the Asset Purchase Agreement(s) by virtue of the Confirmation of a Plan or Reorganization or by virtue of the entry by the court of a Sale Order, Debtor may elect not to accept the terms of all, but not less than all, of the proposed Asset Purchase Agreements for any reason.
- 15) Closing shall proceed as follows:

- a) The successful bidders shall tender all cash consideration required under the terms of the accepted Asset Purchase Agreements at or before closing for deposit in the Escrow Account established by GulfStar for such purposes. This shall be the same account into which bid deposits have been deposited.
- b) Since closings on all lots involve transfer of the title to real estate, closing may occur in separate parts. Closing on non real property assets shall occur first, and on the date and time established under the Bid Procedures. Closing on Real Property shall occur no greater than 45 days after the winning bids are announced.
- c) Closing on all non-real assets shall occur at the Debtor's business offices located at 1400 W. Commerce Street, Dallas, Texas.
- d) Closing on real estate assets shall occur at the time, date and place selected by the buyer (the same being within the parameters established under these Bid Procedures and any applicable Asset Purchase Agreement).
- e) All liens, claims (as that term is defined in Section 101(5) of the Bankruptcy Code), interests, encumbrances, and other interests shall to attach to the proceeds from the sale of the Debtor's assets with the same validity, priority, force and effect that they now have as against such assets.
- f) Counsel for the Debtor shall prepare a Settlement Statement in commercially reasonable form for the non-real assets closing(s) showing the date and time of closing and a schedule of proposed disbursements to Class 1, 2, 3, 4, and as applicable, Class 5 claimants and submit same to the Court no less than 48 hours prior to closing with notice to counsel for Comerica Bank and Counsel for the Unsecured Creditor's Committee. Unless any party in interest objects to the Settlement Statement, or Schedule of Proposed Disbursements, by filing a written objection thereto with the court prior to 9:00 AM on the date set for closing, Counsel for the Debtor shall be authorized to direct disbursement of funds from the Gulfstar Escrow Account as specified in said schedules. Any Objection filed must be supported by an Affidavit showing facts that demonstrate clearly that the proposed Settlement Statement and/or Schedule of Disbursements is incorrect in some material regard. The Objection shall request expedited and emergency hearing from the court. Any order issued by the court thereon shall be deemed authority for the parties to proceed to closing forthwith upon the terms established by the court. Failure of any notified party in interest to file an objection shall be deemed consent to proceed to closing and disbursement as provided in the filed Statement and Schedule.
- g) Counsel for the Buyer shall prepare a Settlement Statement as required by Federal Law showing proposed disbursements and transmit same to Debtor's Counsel no less than 72 hours prior to closing. Debtor's counsel shall then prepare a schedule of proposed disbursements to Class 1, 2, 3, 4, and, if applicable, Class 5 and submit same to the Court no less than 48 hours prior to closing with notice to counsel for Comerica Bank and Counsel for the Unsecured Creditor's Committee.



The Disbursements schedules filed at the time of the last closing hereunder shall also specify the disbursement of any remaining bid deposits for disbursement to unsuccessful bidders. Unless any party in interest objects to the Settlement Statement, or Schedule of Proposed Disbursements, by filing a written objection thereto with the court prior to 9:00 AM on the date set for closing, Counsel for the Debtor shall be authorized to direct disbursement of funds from the Gulfstar Escrow Account as specified in said schedules. Any Objection filed must be supported by an Affidavit showing facts that demonstrate clearly that the proposed Settlement Statement and/or Schedule of Disbursements is incorrect in some material regard. The Objection shall request expedited and emergency hearing from the court. Any order issued by the court thereon shall be deemed authority for the parties to proceed to closing forthwith upon the terms established by the court. Failure of any notified party in interest to file an objection shall be deemed consent to proceed to closing and disbursement as provided in the filed Statement and Schedule.

All funds disbursable at any closing contemplated in this Plan to members of Class 4 shall be disbursed to the Trustee of the ISCBM Post Confirmation Trust and immediately following closing of the Sale Transactions contemplated above, any escrow agent having custody of funds which are proceeds of the closing(s) contemplated above shall commit: (A) all remaining funds not previously disbursed to Class 1, 2, and 3 claim holders; and, (B) all Post Confirmation Collection Cases; to the Trustee of the ISCBM Post Confirmation Trust to be held in Trust, NEVERTHELESS, for the Benefit of the holders of allowed claims against the Estate of the Debtor. Upon such payment, GulfStar, its Escrow Bank, and Debtor's counsel shall be relieved of liability and responsibility under these Bid Procedures for receipt and disbursement of funds. The Plan shall be considered fully executed and eligible for closure upon the occurrence of these disbursements and satisfaction of all other requirements for case closure under the Bankruptcy Code.